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April 18, 2002

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street S.W.
Washington, D.C. 20554

Re: *Ex parte* presentations in CC Docket Nos. 96-45 and 00-256

Dear Ms. Dortch:

Today John Jones of CenturyTel, Inc. and Karen Brinkmann and I, of Latham & Watkins, made *ex parte* presentations in the above-referenced proceedings to Matthew Brill, Common Carrier Legal Advisor to Commissioner Abernathy and Dan Gonzalez, Senior Legal Advisor to Commissioner Martin. The attached briefing sheet was distributed during the meetings.

In the meetings, we noted that high-cost support for rural carriers in 2002 is declining because Section 36.603(a) of the Commission's rules requires support to be based on support for calendar year 2001. CenturyTel urged that the Commission revise its rules such that high-cost support for 2002 is based on annualized support distributed in the second half of 2001.

Pursuant to the Commission's rules, I am filing a copy of this letter and attachment for inclusion in the record of the above-referenced proceedings. Please contact me at (202) 637-1023 if you have any questions.

Sincerely,

Tonya Rutherford
of LATHAM & WATKINS

Enclosure

cc: Matthew Brill
Daniel Gonzalez

CenturyTel's Briefing Points on Rebasing High-Cost Support
(April 18, 2002)

The Commission's rules intended for high-cost support to increase over the five-year period.

- High-cost loop support distributed to rural ILECs was to be re-based as if the indexed fund cap and the corporate operations expense limitation were not in effect during calendar year 2000.
 - Thus, beginning July 1, 2001, high-cost support would be based on uncapped amounts of support for 2000 plus the rural growth factor.
 - Beginning January 1, 2002, high-cost support shall not exceed high-cost loop support for calendar year 2001 multiplied times one plus the rural growth factor.
- The Commission and the Rural Task Force intended for high-cost loop support to increase as a result of rebasing support.
 - The Rural Task Force estimated that high-cost loop support for rural carriers would be \$961 million in 2001 and would increase to \$1.29 billion in 2005.
 - The Rural Task Force proposed to increase high-cost loop support by \$1.26 billion in the aggregate over 5 years, compared to the Commission's prior rules.

High-cost support for 2002 is declining because Section 36.603(a) requires support to be based on support for *calendar year 2001*.

- USAC based 2002 high-cost loop support, in part, on actual support payments distributed from January 1, 2001 through June 30, 2001.
- **Because previous caps applied during the first half of 2001, support for that period was smaller, thereby placing downward pressure on overall support for calendar year 2001.**
- Rural carriers, such as CenturyTel, reasonably expected an increase in high-cost loop support in 2002; however, total high-cost support has declined:
 - December 2001 - \$81.997 million
 - January 2002 - \$78.733 million
 - Support *reduced* by \$3.26 million, while it should have increased by approximately \$4 million
- Contrary to universal service policies, declining high-cost loop support disincentivizes carriers to invest in new infrastructure and technologies and discourages new carriers from serving rural areas.

CenturyTel urges the Commission to recalculate high-cost support for 2002 based on annualized support distributed in the second half of 2001.